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Mr. Harry J. Pearce, Chairman
President's Commission on the Postal Service
U.S. Department of the Treasury
Washington, D.C.

Re: USPS Commission

Dear Mr. Pearce:

I trust you won't let my association with Ford color your opinion.

Introduction

The following comments are based on years of experience, dealing with a variety of retail environments, quasi-governmental businesses and consumers. My marketing and management background includes the management of consumer product companies and marketing/advertising agency success.

Specifically I have worked for Unilever, WPP and GE Capital, with responsibilities including Amtrak, Von's, Ford, Circuit City, Pepsi, Arnold Bakers and the City of Boston.

I recognize the commission has the benefit of advice from Don Cogman, a marketing man with an understanding of consumer communication and service. So I am sure many of the comments and suggestions that follow may not seem innovative as the USPS problem has been with us for a long time. Many minds have been considering alternatives. But please bear with me as I live with the development and turn-around of companies every day and I know that the obvious is not always given credence.

Situation

The commission has begun its work with an array of consulting projects, most seemingly oriented to labor, productivity and pricing. Project #6, studying the price caps of regulated industries may be the most telling, showing an orientation to continued governmental control.

USPS is a retail service institution that has been losing money. The organization now finds itself saddled with debt and unable to evolve beyond its initial purpose, timely cost-effective delivery of printed and written messages.

Speaking at the monthly meeting of the USPS Board of Governors, Postmaster General Jack Potter attributed the recent reduction in losses to "the agency's aggressive program to hold the line on expenses."

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At some point no one will be able to drive costs out of the business, management must drive revenue. There have been feeble attempts to do that with collectable stamps, priority mail service, alliances with competitive services, packaging materials, ads on trucks. In all these products and services were not unique, usually low volume and low margin. Each addition had a “Johnny-come-lately” feel, entering very competitive environments.

True corporations entered USPS’s principal business, taking major shares of the traffic and potential profit. The attack came on two fronts... services like Fed Ex and UPS... and retail with Mail Boxes etc (UPS Store), Pak Mail and copy centers of all kinds.

USPS Assets and Liabilities

Assets

Assessing the principal asset of the USPS, it appears to be a large collection of retail outlets and neighborhood mail boxes. The other asset is a government aura, a franchise seemingly supported by the “faith and credit” of the USA.

Liabilities

- Generally poor attitude among the work force gives consumers a less than enjoyable retail experience.
- Inconvenient. Post offices are usually stand-alone, not integrated with other high traffic retail locations.
- Operating debt
- Disparate mixture of retail floor plans and sizes

Debatable

- Image of the service within the competitive set.
- Still seen as a government operation rather than a business.

Opinion

USPS must change and be run under a profit objective, with capitalist incentives and motivation. The organization can and should not abandon its current mission but add a consumer driven collection of services to its retail presence. A difficult challenge? Yes! Any corporate organization would have a tough time making the transition but the USPS task is near impossible under the current form of regulatory governance.

The elements of the USPS business are not governmental or civil service any longer. The organization needs to be free to compete in the marketplace with people, products, prices, profits and performance.

1. How can they do that?

Create a strategic focus and give it time. The organization requires the time to evolve so it does not drown in its own debt.

Minimally the steps in the strategy must include, short term revenue growth, short term cost reductions, price increases, long term retail strategy, and long-term service strategy.

A. Revenue

The management should begin by looking at simple means to add revenue to the current system. Find for products and services that easily blend with its business or facilities without burdening or adding staff.

- Consider a USPS secured FAX or E-mail system, where contracts and other documents may be sent immediately and accepted as legal and binding.
- Consider copying for a fee as the competition does but through a tie-in with a single source copier company who has quality, and need (Xerox?)
- Consider public private partnerships to use the facilities for marketing messages, in a USPS media network.

B. Cost Reductions

Evaluate the operating cost of each retail facility and location, leases, manpower, etc... Eliminate “non-profit” locations and where needed install automated or smaller manned locations in supermarkets or super-stores (Wal-Mart).

C. Price Increases

As a small business and as an individual my cost of shipping document ranges from \$0.37 with First Class mail, up to \$4.18 with Fed Ex (under a client’s contract). I suggest the spread is too wide and the lower nod can certainly go higher and still remain priced attractively. As for the casual message sender, they continue to look to E-mail before “snail mail” and have been given little reason to change.

Where does USPS communicate the emotion felt when receiving a letter? USPS should be positioning its product ala Hallmark or Kodak advertising. When does USPS sell consumers on the value of their service over the cold shorthand of text messaging?

Raise the prices and let the system advertise, enhancing consumer image and valuation of the product.

Concept: Has anyone considered working with the direct marketing industry on a fee plus commission basis? Charge a more attractive fee for the mailing of catalogs and direct mail literature. Give the services better handling than the current “third class trash”. Be paid a commission for each sale made by the marketer.

D. Retail

What can we do with one of the largest chains of retail outlets in the nation?
How can you maximize the value of a national network of outlets?

As UPS made its alliance with Mail Boxes etc. I suggest that the Post Office become the retail outlet for Fed Ex. Fed Ex has few stores of its own. This ally does not have

to buy the USPS facilities or the business, but can invest to help upgrade the stores and services. Integrating the two delivery services will allow for efficiencies of operation in air mail, package delivery, and international among others.

E. Service Strategy

Postal workers need to be proud of their position, aware of their customer responsibility and part of the community. They are clearly in need of training. From my experiences, in smaller USPS outlets (Vermont, Rural NY) the staffs are friendly and involved, knowledgeable and helpful. In larger offices in suburbs of NY and Chicago, the staff is un-smiling, gruff and anonymous.

If the consumer is to use the services the staff needs to sell. They sell the image of the company, they sell themselves and they should be selling additional products at the counters. They don't even ask if you need stamps!

It strikes me that on holidays representatives of service organizations attend the town picnic, march in the parade, and show themselves as a part of the town. The Postal workers are conspicuously absent.

Conclusion

The US Postal Service needs quality, experienced corporate management with a mandate and timetable to make these assets into a competitive business success.

- Management unencumbered by the politics so long associated with this organization.
- Free from the restrictions and judgments impressed on it through oversight by elected officials
- Able to compete on all levels in the marketplace
- Given the assurance of the Federal Government's continuing financial support through a defined transition period.
- Free from any Civil Service requirements and restrictions

If I can be of any help please feel free to call.

Sincerely

Charles M. Young
Principal

Cc: Mr. Harry J. Pearce, Chairman
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